ANNUAL REPORT 2001

wireless communications...better choices, better solutions

GLENTEL

Better Choices, Better Solutions Glentel offers both business and consumers better choices in wireless voice and data solutions because we offer a wider range of options – and have the proven expertise to create and deliver complete communications solutions. Glentel has been offering better choices and better solutions since 1963. We have a strong company culture and an enviable track record of adapting new technologies in innovative ways that both meet our customers' needs and enhance shareholder value. This reputation for resourceful reliability continues to attract new technology partners that further enhance the solutions we can create.

GLENTEL IS A LEADING PROVIDER OF WIRELESS COMMUNICATIONS SOLUTIONS IN CANADA AND THE UNITED STATES. IT HAS TWO DISTINC OPERATING DIVISIONS, WITH ONE FOCUSED ON WIRELESS COMMUNICATIONS SOLUTIONS FOR BUSINESS, INDUSTRY AND GOVERNMENT. TH OTHER, COMPRISING WIRELESSWAVE RETAIL MALL STORES IN BRITISH COLUMBIA, ALBERTA AND ONTARIO, CANADA, IS FOCUSED ON THE RETA MARKET WITH CHOICE IN NETWORK SERVICE PROVIDER FOR PCS PHONES, CELLULAR, RATE PLANS, AND ACCESSORIES.

Better for Business Glentel offers businesses and governments across North America a complete range of North America-wide wireless voice and data solutions. Our business customers range from transportation companies to oil and gas companies, mining concerns, public safety and other government agencies. We operate networks for fixed and mobile satellite communications and two-way radio dispatch. Our Business Service Centres, along with a network engineering group and an authorized dealer network, support the solutions we offer. We develop complete, integrated solutions using SCADA, mobile two-way wireless for voice and data, fleet management solutions, dispatch, satellite, PCS and cellular.

Better for Personal Through our WirelessWave mall stores, Glentel offers millions of Canadians in British Columbia, Alberta and Ontario the widest choice of ways to stay connected using the latest wireless voice and data digital phones. Our reputation for offering the best choice, knowledge, value and service has become a powerful attraction for customers who desire true "freedom of choice" – and for network and hardware suppliers who share our values of honesty and integrity in creating satisfied customers.

QUALITY

THE QUALITY OF WIRELESS SOLUTIONS GLENTEL OFFERS REFLECTS THE QUALITY AND BREADTH OF OUR PARTNERS. GLENTEL IS AN AUTHORIZED DEALER FOR A WIDE RANGE OF PRODUCTS AND SERVICES FROM THESE LEADERS IN VOICE AND DATA COMMUNICATIONS. AUDIOVOX BELL EXPRESSVU BELL MOBILITY BREEZECOM CABIT CES DATA SOLUTIONS CISCO COBRA CYLINK EMS TECHNOLOGIES FIDO (MICROCELL) GE AMERICOM GLOBALSTAR IRIDIUM KAVAL KYROCERA LUCENT MICROWAVE DATA SYSTEMS MITSUBISHI MOBILE SATELLITE VENTURES MOTOROLA NOKIA PAGENET PANASONIC PARAGEA ROGERS AT&T WIRELESS SAMSUNG SANYO SHAW SIEMENS SINCLAIR SONY ERICSSON STAR CHOICE SYMBOL TELESAT THALES/RACAL TRAXIS WESTINGHOUSE WILAN ZETRON

Letter to Shareholders

As we reflect back on 2001, we entered the year with great anticipation for a buoyant economy and a stable environment in which to carry on our day-to-day lives at home and in business. As the year progressed, global and local equity and money markets were shaken, and business valuations the world over were significantly reduced. We will never forget, and are saddened by, the terror cast upon the world with the tragedy of the events of September 11. The world will never be the same. Corporations have been challenged to reassess, redefine and refine their operations and strategies to align with the current reality of the communities and customers they serve.

Glentel enjoyed a successful year in its Wireless Business Division, deploying its refined strategy of seeking greater margins for its select wireless solutions offerings. The division made great strides in completing its transition from push-to-talk two-way radios to value-added voice and data wireless solutions such as satellite mobile asset tracking and logistics.

Such management capabilities in utilizing wireless technologies result in savings for our commercial clients, with measurable efficiencies in productivity and performance –whether monitoring a 3,000-mile pipeline, a 911 emergency dispatch system, or a global positioning fleet monitoring system. Recurring revenues from networks, coupled with our enhanced wireless solutions and engineering services, have provided improved margins. Dealer development in the United States has been encouraging. In Canada, corporate sales teams have been focused in three specific regions. Our corporate network of business service centres provides the engineering, technical support and installation capability demanded by our client base for after-sales service reliability. By leveraging our corporate service centre network, authorized dealer network, and owned wireless network systems, Glentel has laid the cornerstone to provide clients with "best-of-class" wireless communication solutions and support.

The WirelessWave Retail Division exceeded target expectations in same-store mall sales, enjoyed double-digit growth with overwhelming consumer acceptance of its freedom of choice of phone and carrier service provider, and grew significantly in sales and earnings. Emphasis was focused on increasing the profit yield per store of existing stores, while opening new mall stores.

Glentel acquired and installed a robust retail point of sale system with real-time capability and high-speed connectivity. This enabled handling record sales in December with inventory controls, cash management and customer tracking. We thank our associates, who spent countless hours on the installation, training and implementation of the system. To our field associates, thank you for your willingness to adapt to a new system in our most hectic selling season.

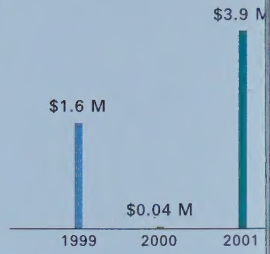
To add value to customers' purchases, WirelessWave associates have made a personal pledge. To our customers, we pledge to provide superior service; to offer freedom of choice of phone, price and product; to freely share our knowledge of wireless technology, service providers and phones; and to provide value in product and service offerings while always dealing with honesty and integrity.

We extend sincere thanks and appreciation to our Glentel associates for working so earnestly this year to take our company to new heights. We also thank our suppliers for offering their support and sharing similar values, and our shareholders for demonstrating their confidence in our strategy by their patronage and continued investment.

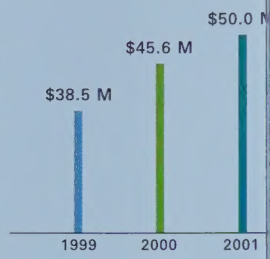
On behalf of the board,

Thomas E. Skidmore

Chairman, President and Chief Executive Officer



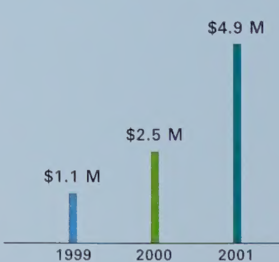
EBITA – CONSOLIDATED



SALES – CONSOLIDATED

EBITA
WIRELESS BUSINESS DIVISION

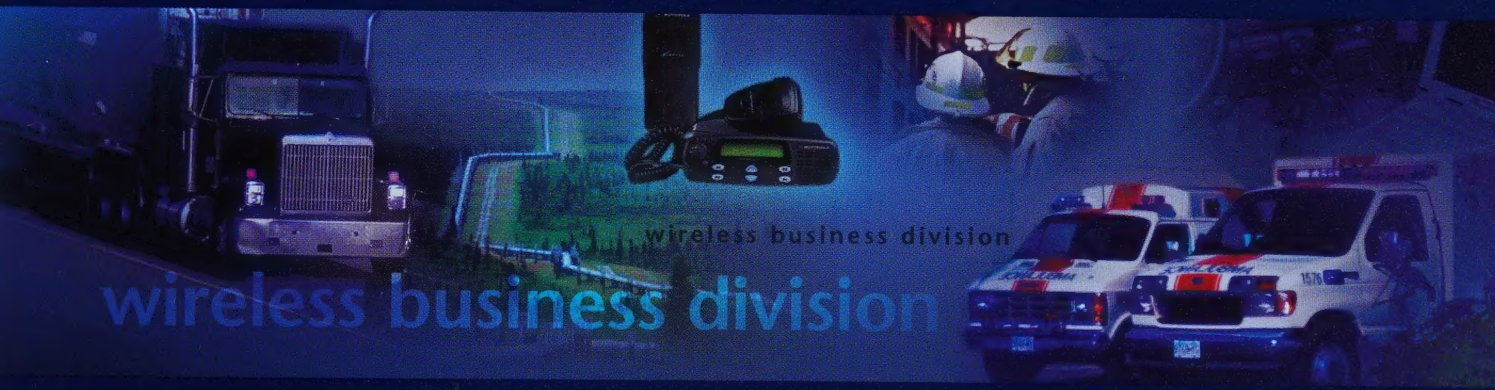
OPERATING EARNINGS (LOSS)
WIRELESS BUSINESS DIVISION



EBITA
WIRELESSWAVE RETAIL DIVISION

OPERATING EARNINGS
WIRELESSWAVE RETAIL DIVISION

Focusing on Strengths In 2001, Glentel's Wireless Business Division made a transition in focus to capitalize on proven strengths and established customer relationships. This redefined and refined focus included: > Providing solutions based on our core competencies, specifically two-way wireless trunking systems, satellite services (both MSAT & VSAT), mobile asset tracking and logistics systems. > Providing larger system solutions to oil and gas projects in North America, enhanced emergency 911 response systems to municipalities, and real-time fleet management solutions. Glentel has a strong reputation and longstanding relationships in these markets. > Providing complete, value-added system solutions rather than just connecting hardware to a network service. Glentel now offers a complete, customizable fleet management solution that integrates hardware, network access, and application software that enables real-time data monitoring and reporting of both mobile asset and personal performance with the asset.



FOCUS

Quality Partners Strengthen Glentel Solutions

In 2001, Glentel established new partnership agreements that significantly enhance the solutions we offer. Glentel's exclusive partnership with Traxis Inc., a leader in computer systems applications for the transportation industry, significantly advances our fleet management offering. Glentel's TraxSat solution uses Traxis software configured to work on MSAT to enable real-time wireless data and voice communications anywhere in North America. In addition to automated vehicle location and messaging, the solution can provide data for driver performance, activity management, maintenance scheduling, driver duty logs, fuel tax reporting, GPS and mapping.

Implementation of these solutions can result in substantial savings in fuel costs, improved efficiency in vehicle and driver utilization (trucks and drivers are not sitting idle), and route planning to minimize empty miles or multiple vehicles simultaneously travelling the same route.

In this, Glentel also partners with Symbol, the world's largest provider of barcode reading hardware and rugged mobile computing devices, to supply full end-to-end solution when used in conjunction with the Traxis software.

Strategic Selling and Service Supports Glentel's Shift in Focus

To support the focus in offering solutions based on core strengths, Glentel's professional sales teams of corporate account managers sell the applications solutions for trunking, fleet management and 911 emergency response. Each team specializes in a specific area of expertise and is called into different geographic areas as required. Glentel's strategically located Business Service Centres provide customers with one-stop after-sales service. Along with an extensive authorized dealer network, they provide timely development of solutions.

Better Solutions in 2001

Fleet Management

THE GROCERY PEOPLE (TGP) have a fleet of 70 corporate and owner-operated vehicles. Based in Edmonton, Alberta, TGP transports fresh produce from California throughout the western states and provinces. The units equipped with Glentel satellite terminals provide for real-time tracking and message capability to keep dispatch up-to-date on load delivery.

ARROW TRANSPORTATION SYSTEMS, based in Richmond, BC, has more than 250 vehicles, with up to 50 using Glentel's real-time solution. The Glentel/Traxis solution assists Arrow's dispatch in tracking and monitoring vehicles hauling lumber and wood chips and in communicating with drivers on a real-time basis.

THE TRAXSAT SOLUTION

Two-way Wireless

In 2000, Glentel designed and installed a 10-channel, two-way wireless Motorola UHF trunking system for the massive ATHABASCA CONSTRUCTION JOINT VENTURE – Scotford, an upgrade to the Shell Refinery for oil sands in Alberta. In 2001, Glentel expanded the system, increasing the number of portables from 200 to 800 and enhanced coverage to a neighbouring Shell chemical operation.

THE UNIVERSITY OF ALBERTA HOSPITAL is a large, multi-story complex with extensive underground facilities. Glentel designed and upgraded the conventional radio system with state-of-the-art Motorola equipment, substantially improving coverage while providing enhanced operational management and security functions.

VSAT (Very Small Aperture Satellite Terminal)

ENCANA PIPELINES (formerly AEC Pipelines, a division of Alberta Energy Corporation) operates pipelines throughout the USA and Canada. The SCADA (Supervisory Control and Data Acquisition) system Glentel provided enables Encana to monitor and control pipeline facilities from Northern Alberta to St. Louis, Missouri. The latest addition was the Cold Lake Extension Pipeline.

ATCO PIPELINE asked Glentel to add VSAT SCADA to its terrestrial network for better and more economical control of the pipeline and gathering data for operations. Glentel added field stations at multiple locations from north of Fort McMurray to the Foothills.

MSAT (Mobile Satellite) Satellite Dispatch

Glentel upgraded HECK'S TRUCKING'S existing two-way dispatch to an MSAT satellite solution. Heck's more than 70 vehicles now stay in touch no matter where they drive in the remote areas within Alberta and British Columbia that the company serves, 60 percent of which are out of cellular coverage. The new service supports superior driver safety no matter where they travel.

For the US FOREST SERVICE NATIONAL FIRE TEAM based in the State of Oregon, Glentel promptly supplied and commissioned satellite dispatch radios to assist firefighting efforts during major blazes in the summer of 2001. The fires spread so far, so fast, that they exceeded the range of the previous two-way landline connections, threatening communications and endangering firefighters in remote areas. After September 11, when the firefighters were summoned to New York City, Glentel engineers were able to rapidly recommission the radios for use on the East Coast. The dispatch radios performed far better than expected in the urban environment, where towers typically block radio reception from satellites.

Glentel developed a satellite dispatch radio system for the CALIFORNIA DEPARTMENT OF TRANSPORTATION. The Department has 18 emergency response stations from south to north in the state. The Glentel solution enables officials to communicate in the event of an earthquake, which could topple landlines as well as cellular transmission towers.

911 Emergency Services

For the CITY OF LETHBRIDGE, ALBERTA, Glentel installed a complex solution providing service for the largest dispatch area to a single Emergency 911 centre within Alberta. The solution provides a much wider coverage area with central command, and frees up 911 manpower, enabling firefighters and emergency response teams to make the most effective use of their resources.

In RED DEER, ALBERTA, Glentel installed Canada's first Thales digital call logger with a call tracking function that attaches 911 address information to the voice track when an emergency is underway. This function enables quick searches for call by address or phone number, giving police and emergency response teams a rapid, recorded history of calls from that address.

Growth Supports More Growth 2001 saw Glentel's WirelessWave Retail Division sustain the surging growth it has experienced over the past years. The number of WirelessWave mall stores grew to 37 at the end of the year. > Strong sales performances in every store, and increased profit yield per store, saw the division surpass its own expectations. In 2002, WirelessWave plans to open a significant number of stores in major malls, primarily in Ontario, to share the "freedom of choice" with its growing network of loyal customers.

GROWTH

The WirelessWave Way:
Choice. Value. Knowledge. Service.

Network relationships enhance performance

Even as WirelessWave stores expanded eastward in Ontario, Bell Mobility was expanding its network westward in Alberta and British Columbia. Because of WirelessWave's proven ability to attract quality customers into its stores, Bell Mobility chose WirelessWave as one of its two key distribution partners to support its western expansion.

Offering our customers the choice of either Bell Mobility, Rogers AT&T Wireless or Fido (Microcell) as network service providers, WirelessWave has significantly enhanced its ability to offer consumers the widest–and best– choices in wireless voice and data digital phones, prices, rate plans and providers.

Building back-end support and service

By the end of 2002, there will be more than three times as many WirelessWave stores as there were at the end of 1999. This rapid retail expansion also requires back-end support and service to ensure smooth, quality service delivery and reliability. In 2001, WirelessWave implemented a new point-of-sale and merchandising system. The system provides multiple benefits, from recording sales, controlling inventory and enabling rapid pricing adjustments to generating a reliable database for direct marketing, supporting the development of an in-house rewards program for customers, and sharing information among stores – all in real-time using high-speed connectivity.

Knowledge to build on

Over the past five years, WirelessWave staff have developed a reputation as experts in wireless voice and data products and services. Continued on-site, in-house, vendor network and personal sales training ensures that they will possess the knowledge to be "the pros who know" when 2.5 and 3G products featuring text messaging, video imaging, and Internet connectivity become available during 2002.

Business Service Centres BRITISH COLUMBIA VANCOUVER FORT ST JOHN ALBERTA CALGARY EDMONTON GRANDE PRAIRIE LETHBRIDGE MEDICINE HAT RED DEER SASKATCHEWAN SASKATOON ONTARIO TORONTO HAMILTON WASHINGTON MERCER ISLAND

WirelessWave Locations BRITISH COLUMBIA ABBOTSFORD BURNABY CHILLIWACK COQUITLAM KAMLOOPS KELOWNA LANGLEY NANAIMO PENTICTON RICHMOND SURREY VANCOUVER VERNON VICTORIA WEST VANCOUVER ALBERTA CALGARY EDMONTON ONTARIO BARRIE BURLINGTON ETOBICOKE HAMILTON KITCHENER MISSISSAUGA NEWMARKET NORTH YORK OSHAWA PICKERING TORONTO WATERLOO

Key Financial Objectives

2001 was a year in which the Company's focus was to improve the yield in each of its operating divisions. The Company completed its plan, made in 2000, to divest and discontinue its paging network service. In the 3rd quarter of the year, the Company had a loss from a write-off of its interest in a jointly controlled company, c2c NetWorks Canada Ltd., reflecting discontinuance of the related business arrangement with an unrelated party.

In the WirelessWave Retail Division, emphasis was placed on improved yields in existing stores, while new store growth was held to a moderate rate by adding five new stores in 2001. A new point-of-sale and merchandising system was installed during the year, which will facilitate the division's planned future growth and give our sales associates product and customer information required to provide the quality of service our customers have learned to expect.

In the Wireless Business Division, efforts were focused on strengthening core competencies in the satellite and terrestrial communication networks, by expanding data solutions to complement the existing voice solutions being offered. The division expanded its product offering by introducing a new fleet management system in the last quarter of the year.

The corporate general and administrative unit focused on cost efficiencies in 2001. With this renewed emphasis on control, costs were reduced by 19.8% over the previous year.

Operating Results

2001 was a year of marked improvement for Glentel, with reported sales of $50.0 million for the year ended December 31, 2001, a 10% increase over the $45.6 million the previous year. Earnings before interest, taxes, and amortization ("EBITA") improved to $3.9 million compared to $37,000 in 2000. EBITA as a percentage of sales for the year was 7.8%, compared to 0.1% last year, an increase of 7.7%. During the year the Company recorded a charge of $3.3 million to adjust marketable securities to market values. After the write-downs, net loss for the year ended December 31, 2001 was $2.2 million with a loss per share of $0.28. This compares to a net loss of $10.6 million and a loss per share of $1.34 in 2000.

Wireless Business Division Operations

Sales of two-way radios, satellite terminals, airtime and other communications products and services by the Wireless Business Division were $24.2 million compared to $28.6 million in 2000. Due to a general slowdown in the economy, an industry reduction in demand for communications products and the events of September 11, sales declined by 15% over the previous year. However, gross margin increased by 4.0% of sales during the same period as a result of the division's focus on quality of sales and service. Earnings before interest, taxes, and amortization ("EBITA") for the Wireless Business Division were $3.1 million in 2001, 12.6% of sales, compared to $1.9 million and 6.6% of sales in 2000. Operating earnings for the year ended December 31, 2001 were $1.1 million, compared to a loss of $4.8 million the previous year.

WirelessWave Retail Division Operations

Sales of retail PCS/cellular products and services by the WirelessWave Retail Division grew 52% to $25.9 million, compared to $17.1 million in 2000. Improvement in yield per store was the focus in 2001, which saw same-store PCS/cellular activations increase by 42% for the stores that were open throughout both fiscal periods. WirelessWave expanded by 5 new stores in 2001, bringing the total number of stores to 37 at December 31, 2001.

During the year, the Company acquired and installed a new point-of-sale and merchandising system for the WirelessWave Division at a capital cost of $1.2 million. The new system will enable WirelessWave to continue its growth plans and maintain the controls required to manage its operations. Earnings before interest, taxes, and amortization ("EBITA") for the WirelessWave Retail Division was $4.9 million in 2001, 18.7% of sales, compared to $2.5 million and 14.9% of sales in 2000. Operating earnings for the year ended December 31, 2001 were $4.0 million, compared to $2.0 million in 2000.

Corporate Operations

The Company does not allocate general and administrative costs to the operating divisions. Service levels for the Company and the divisions are determined and managed on a centralized basis in a cost-effective manner. Cost efficiency improvements resulted in a 19.8% reduction in corporate operating costs, which were $4.2 million for the year 2001, compared to $5.3 million in 2000.

In prior years, the Company had invested its excess cash in various equity interests in other public companies. These marketable securities are valued at the lower of cost or market value as at December 31, 2001 and, as a result, the losses from investments for the year were $3.3 million, compared to $2.6 million in 2000. As of December 31, 2001, the Company's marketable securities consisted of 253,955 shares of Glenayre Technologies Inc.

Liquidity and Capital Resources

Working capital was $4.7 million at December 31, 2001 compared to $6.7 million the previous year. Cash was $3.3 million versus $1.9 million at December 31, 2000. Marketable securities, stated at the lower of cost and market, were $0.5 million (market value - $0.8 million) versus $3.0 million at December 31, 2000. The Company anticipates that its cash and marketable securities will be sufficient to fund operations in the future. However, the Company plans to finance fixed asset purchases by way of capital leases or other debt funding instruments where possible.

At December 31, 2001, the Company had long-term debt, including capitalized lease obligations, of $0.8 million, a decrease from $1.5 million in 2000. At December 31, 2001 the total debt to equity ratio was 0.72 compared to 0.76 in 2000. Total assets decreased by $4.5 million to $25.9 million at December 31, 2001.

Operating Risks and Uncertainties

The Wireless Business Division provides business communication solutions for both voice and data transmission in a technology sector that, by definition, is constantly changing. Its product offering is to provide complete turnkey integrated business solutions in the fixed and mobile satellite market and the two-way radio market. The division's strategy is to continue to migrate from providing primarily voice solutions to delivering integrated voice and data communication solutions. For the integrated solution sale, we obtain a service contract and receive recurring revenue for providing maintenance service and airtime. The Wireless Business Division has also invested in marketing fleet management systems, a new application software product line that fits with our new focus and existing customer base. To maintain profitability, the division must continue to be successful in its migration to data communication solutions as well as gain market acceptance with the new fleet management and integrated systems product lines. In summary, the key to success is the ability of the division to continue providing state-of-the-art technology solutions with good economic value for business communications solutions and to avoid maintaining product lines beyond their product life cycle.

The WirelessWave Retail Division continues to expand its locations in a competitive industry sector. The major product offerings (PCS/cellular, accessories and paging services) are provided by a limited number of carriers that are highly price-competitive and market-share driven who effectively set retail margins for these products. An important aspect of the division's strategy has been to achieve a critical mass such that carriers find the division's continued success to be imperative for their own success. In assembling the critical mass, the Company has committed to long-term lease obligations for store premises for the division as summarized in note 9 of the financial statements.

As previously disclosed, the Company received correspondence from Canada Customs and Revenue Agency (CCRA), formerly Revenue Canada, in 1998 indicating that it could be subject to reassessment of income taxes as a result of transactions related to the sale of its Canadian and US electronics manufacturing business in its 1992 taxation year. Management and its advisors have made submissions to CCRA and discussions continue. Glentel intends to contest any reassessment vigorously. The ultimate outcome of this process continues to be indeterminate.

Outlook for 2002

In the WirelessWave Retail Division, following the modest growth in the number of new stores that occurred in 2001 a more aggressive number of new WirelessWave retail stores are planned for 2002. Sales are projected to continue to improve with a focus on improving the yield of the existing retail outlets as the division benefits from the new point-of-sale / merchandising system and the enhanced capabilities the system offers to operations management. Higher residual income is targeted as a result of the continued growth in the total subscriber base from activations. In the Wireless Business Division, modest sales growth is projected together with maintaining the improved margins achieved in 2001 as an increased emphasis is placed on system solution sales and additional product support services.

Management is very pleased with the improvement in the operating results in 2001. Although losses from investments produced a net loss for the year, management does not expect these losses to be a recurring event and does not intend to invest in any marketable securities in 2002. Management believes that the refined focus in the Wireless Business Division, made in 2001, and the growth and improved yield in the WirelessWave Retail Division should result in continued performance improvements by the Company in 2002. The Company intends to fund the opportunities presented in the divisions through working capital.

Management's Responsibility

The consolidated financial statements of Glentel Inc. have been prepared by management and approved by the Company's Board of Directors. Management is responsible for the preparation and presentation of the information contained in these consolidated financial statements and other sections of this annual report.

To ensure the reliability of the financial data, Glentel Inc. has established and maintains an internal control system that we believe gives reasonable assurance that financial reports do not contain any material misrepresentation.

The Board of Directors ensures that management fulfills its financial reporting responsibility and internal control through an Audit Committee. The Company's independent auditors, Deloitte & Touche LLP, have been appointed by the shareholders to express their professional opinion on the fairness of these consolidated financial statements.

Thomas E. Skidmore

Chairman, President and
Chief Executive Officer

Dale B. Belsher

Chief Financial Officer

Auditors' Report

To the Shareholders of
Glentel Inc.

We have audited the consolidated balance sheets of Glentel Inc. as at December 31, 2001 and 2000 and the consolidated statements of operations, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia

March 8, 2002

Consolidated Balance Sheets

As at December 31 (in thousands of dollars)

	2001	2000
Assets		
Current		
Cash	$ 3,286	$ 1,859
Marketable securities (Note 3)	465	2,998
Accounts receivable	5,577	6,102
Current portion of leases receivable	138	138
Inventory	5,272	7,115
Prepaid expenses	562	1,018
	15,300	19,230
Leases Receivable (Note 4)	173	310
Property and Equipment (Note 5)	10,458	10,851
	$ 25,931	$ 30,391
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 9,208	$ 10,857
Income taxes payable	891	774
Current portion of long-term debt (Note 6)	528	860
	10,627	12,491
Long-Term Debt (Note 6)	258	648
	10,885	13,139
Shareholders' Equity		
Share capital (Note 7)	33,513	33,488
Contributed surplus	1,158	1,158
Deficit	(19,625)	(17,394)
	15,046	17,252
	$ 25,931	$ 30,391

Commitments and Contingent Liabilities (Note 9)

The accompanying notes are an integral part of the statements.

On behalf of the Board,

Director

Ron Smarley

Director

Consolidated Statements of Operations

Years ended December 31 (In thousands of dollars except per share amounts)

	2001	2000 (Restated – Note 2)
Sales	$ 50,061	$ 45,614
Cost of sales	27,285	27,048
Operating and administrative expenses	18,852	18,529
Earnings before interest, taxes and amortization	3,924	37
Amortization (Note 10)	2,980	8,121
Operating income (loss) before:	944	(8,084)
Interest income	108	190
Interest expense – long-term	(94)	(161)
Losses from investments (Note 11)	(3,299)	(2,630)
Loss before:	(2,341)	(10,685)
Income tax recovery (Note 12)	110	57
Net loss	$ (2,231)	$ (10,628)
Loss per share (Note 7 (d))	$ (0.28)	$ (1.34)
Weighted-average number of outstanding common shares	8,029,753	7,904,872

Consolidated Statements of Deficit

Years ended December 31 (In thousands of dollars)

	2001	2000
Deficit, beginning of year	$ (17,394)	$ (6,766)
Net loss	(2,231)	(10,628)
Deficit, end of year	$ (19,625)	$ (17,394)

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

Years ended December 31 (In thousands of dollars)

	2001	2000
Operating Activities		
Net loss	$ (2,231)	$ (10,628)
Items not affecting cash:		
Amortization	2,980	8,121
Loss from investments	3,299	2,630
Future income taxes	–	(600)
	4,048	(477)
Cash generated by working capital	1,116	4,027
	5,164	3,550
Financing Activities		
Issuance of share capital	25	124
Increase in long-term debt	146	–
Repayment of long-term debt	(868)	(778)
	(697)	(654)
Investing Activities		
Proceeds from sale of marketable securities	–	4,733
Additions to property and equipment, net	(2,519)	(2,968)
Reduction in lease receivable	138	138
Advances to jointly controlled company (Note 11)	(781)	(50)
Purchase of investments	–	(4,076)
Proceeds from sale of car audio assets	122	–
	(3,040)	(2,223)
Net Cash Inflow	1,427	673
Cash Position, Beginning of Year	1,859	1,186
Cash Position, End of Year	$ 3,286	$ 1,859
Supplemental Cash Flow Information:		
Interest paid	$ 94	$ 161
Income taxes (recovered) paid, net	$ (223)	$ 114

The accompanying notes are an integral part of the statements.

Notes to Consolidated Financial Statements

As at December 31 (In thousands of dollars except per share amounts and amounts in narrative)

1. SIGNIFICANT ACCOUNTING POLICIES

The Company is incorporated under the Canada Business Corporations Act. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles:

(a) Basis of presentation

The financial statements include the accounts of the Company and its subsidiaries. All material intercompany accounts and transactions have been eliminated upon consolidation.

(b) Marketable securities

Marketable securities are stated at the lower of cost and market.

(c) Inventory

Inventory is valued at the lower of cost and net realizable value.

(d) Property and equipment

Property and equipment are recorded at cost. Amortization is computed on the declining balance basis, except for rental equipment which is on the straight-line basis. Annual rates to amortize the cost of capital assets over their estimated useful lives are as follows:

Buildings	4%
Rental equipment	2 to 5 years
Equipment	10% to 30%
Software	33%

Leasehold improvements are amortized over the terms of the respective leases, including the first renewal option.

(e) Revenue recognition

Revenue is recognized upon delivery of goods or services.

Rental revenue from rental of equipment is recognized over the period of the lease.

(f) Net earnings (loss) per share

Earnings (loss) per share has been calculated using the monthly weighted average number of common shares outstanding during the year.

(g) Financial instruments

The Company's financial instruments include cash, accounts receivable, investments in marketable securities, accounts payable and accrued liabilities, income taxes payable and long-term debt. Excluding investments in marketable securities, the fair value of financial instruments approximates carrying value. Market values of investments in marketable securities have been disclosed in Note 3.

(h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, particularly the recoverability of accounts receivable, inventory and property and equipment, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Income taxes

Future income taxes reflect the tax effect, using enacted tax rates, of differences between the book and tax bases of assets and liabilities and the anticipated benefit of losses carried forward for income tax purposes.

(j) Stock-based incentive plans

The Company has granted options to selected directors, management and consultants. No compensation expense is recognized when stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock options is charged to deficit.

2. CHANGE IN ACCOUNTING POLICY

During the year, the Company changed its accounting policy for recognizing revenue. In previous years, direct subsidies from service providers for products sold were reflected as reductions to cost of sales. In the current year, these subsidies have been included in sales. Comparative amounts shown for 2000 sales and cost of sales have been restated. There is no effect on net loss or deficit in the current or previous year.

3. MARKETABLE SECURITIES

	2001	2000
Investments in shares of other public companies market value – $755 (2000 – $3,894)	$ 465	$ 2,998

4. LEASES RECEIVABLE

The leases represent capital equipment leases yielding interest at 10% per annum and maturing in 2003 and 2004.

5. PROPERTY AND EQUIPMENT

	2001			2000
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 194	$ –	$ 194	$ 194
Building	663	162	501	735
Leasehold improvements	5,391	2,079	3,312	3,337
Equipment	6,703	3,047	3,656	3,728
Rental equipment	8,917	7,490	1,427	2,419
Software	2,680	1,683	997	190
Leased equipment	1,315	944	371	248
	$25,863	$15,405	$10,458	$10,851

Rental income generated from the rental of equipment amounted to $2,762,000 (2000 – $3,821,000).

6. LONG-TERM DEBT

	2001	2000
Note payable Blended monthly payments of $56,466 including interest at 8.44%. Loan expires June 2002 and is secured by a general security agreement including an assignment of accounts receivable	$ 276	$ 902
Obligations under capital lease Interest rates vary from 7.2% to 16.6%. These leases expire between 2002 and 2004	510	606
	786	1,508
Less: Current portion	(528)	(860)
	$ 258	$ 648

The future principal and interest payments on the note payable and capital leases are as follows:

	2001	2000
2001	$ –	$ 957
2002	580	522
2003	207	150
2004	69	2
	856	1,631
Less: interest	70	123
	786	1,508
Less: current portion	528	860
	$ 258	$ 648

7. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued

	Common Number	Common Amount
Balance, December 31, 1999	7,738,595	$33,364
Issued for cash	263,700	124
Balance, December 31, 2000	8,002,295	33,488
Issued for cash	46,050	25
Balance, December 31, 2001	8,048,345	$33,513

(c) Stock-based incentive plans

The details of the Company's share option plan, under which eligible employees, directors and consultants are granted options to purchase common shares, at a price not less than the market value of the shares at the date granted, are as follows:

	2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	982,800	$ 2.96	1,024,000	$ 2.52
Granted	40,000	1.80	235,000	2.63
Exercised	(46,050)	0.55	(263,700)	0.47
Relinquished and expired	(28,750)	0.55	(12,500)	3.13
Outstanding at end of year	948,000	$ 3.04	982,800	$ 2.96
Options exercisable at end of year	815,500		781,855	

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at Dec. 31, 2001	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at Dec. 31, 2001	Weighted Average Exercise Price
$0.40 to $7.00	948,000	6.3 years	$3.04	815,500	$3.34

Options granted to directors are exercisable immediately and expire after ten years. All other options are exercisable on the basis of 25% of the options per year on a cumulative basis, beginning after one year and expiring after ten years.

(d) Loss per share

Fully diluted earnings per share for 2001 and 2000 are not disclosed because they are anti-dilutive.

8. RELATED PARTY TRANSACTIONS

(a) On May 1, 2001, the Company sold certain assets of its automotive audio and security systems business to its majority shareholder at fair value and realized a gain of $73,000.

(b) The Company had the following transactions with its majority shareholder:

	2001	2000
Management fees	$ 250	$ 250
Operating and administrative expenses	250	450
Construction services	764	2,173

As at December 31, 2001, the Company owed its majority shareholder $855,000 (2000 – $1,121,000).

9. COMMITMENTS AND CONTINGENT LIABILITIES

(a) The future minimum operating lease and maintenance commitments of the Company are as follows:

2002	$ 2,355
2003	2,117
2004	1,952
2005	1,659
2006	1,014
Subsequent years	1,745
	$10,842

(b) The Company is committed to a special purchase of inventory in 2002 amounting to $1,600,000 (2000 – $Nil).

(c) Legal actions have been commenced against the Company in connection with various matters arising during the normal course of business activities. Management is of the opinion that the cost of settling and defending such actions will not be significant and, accordingly, no provision for losses has been reflected in these financial statements.

(d) The Company has received correspondence from Canada Customs and Revenue Agency indicating that the Company could be subject to reassessments of income taxes as a result of transactions related to the sale of its Canadian and U.S. electronics manufacturing business in its 1992 taxation year. The ultimate outcome is indeterminable at this time.

10. AMORTIZATION EXPENSE

	2001	2000
Amortization expense before the impact of revised estimated useful lives:	$ 2,980	$ 4,133
Rental inventory	–	1,874
Computer equipment	–	653
Licences	–	762
Goodwill	–	699
	$ 2,980	$ 8,121

Revision of estimated useful lives in 2000 recognized the impact of rapid technological change in specific products.

Notes to Consolidated Financial Statements

As at December 31 (In thousands of dollars except per share amounts and amounts in narrative)

11. LOSSES FROM INVESTMENTS

	2001	2000
Marketable securities		
Gain from disposals	$ –	$ 715
Write-down to market value	$ (2,533)	(3,345)
	$ (2,533)	$ (2,630)
Loss from write-off of interest in jointly controlled company	(839)	–
Other	73	–
	$ (3,299)	$ (2,630)

The loss from write-off of the interest in jointly controlled company reflects discontinuance of the related business arrangement with an unrelated party. Assets as at December 31, 2000 included $50,000 invested with respect to that venture.

12. INCOME TAXES

	2001	2000
Current recovery (expense)	$ 110	$ (543)
Future recovery	–	600
	$ 110	$ 57

Although enacted income tax rates approximate 45% or less, the effective rates per the statements of income for 2001 and 2000 are considerably lower. This reflects the impact of the undernoted unrecorded benefit, routine non-deductible expenses, non-taxable portions of capital gains resulting from dispositions of investments and miscellaneous insignificant adjustments.

The Company had timing differences of approximately $7,500,000 as at December 31, 2001 (2000 – $9,400,000) for which no benefit was recognized. $4,900,000 (2000 – $6,300,000) relates to investments for which future benefits, if any, will be restricted to one half of enacted rates. The benefit, if any, of these timing differences will be recognized when realized.

13. EMPLOYEE FUTURE BENEFITS

The Company, together with its majority shareholder, jointly participate in a defined benefit pension plan. Segregation of information specific only to the Company is not possible and as a result, the Company accounts for pension expense on a contribution-based plan basis.

Contributions of $43,874 for 2001 and $274,133 for 2000 have been reported as pension expense.

As at December 31:

	2001	2000
Total plan assets, at fair value	$ 31,871	$ 33,611
Accrued benefit obligations	23,794	22,169
Net plan surplus	$ 8,077	$ 11,442

Assumptions used in measuring the plan's accrued benefit obligations as at December 31, 2001 and 2000 included:

Discount rate	7%
Expected long-term rate of return on plan assets	7%
Rate of compensation increase	4.0 – 4.5%

14. SEGMENTED INFORMATION

The Company operates in two distinguishable industry segments. The Wireless Business Division provides a wide range of two-way radio, satellite, airtime and other communications products and services to commercial and industrial customers. The WirelessWave Retail Division provides personal communications products and services to consumers. WirelessWave Retail Division and Wireless Business Division were formerly referred to as Consumer Services and Business Services, respectively.

Information by business segment is as follows:

	2001	2000 (Restated – see below)
Sales to external customers		
Wireless Business Division	$ 24,175	$ 28,560
WirelessWave Retail Division	25,886	17,054
	50,061	45,614
Earnings (loss) before interest, taxes and amortization		
Wireless Business Division	3,057	1,885
WirelessWave Retail Division	4,850	2,537
Corporate	(3,983)	(4,385)
	3,924	37
Amortization		
Wireless Business Division	1,929	6,703
WirelessWave Retail Division	801	523
Corporate	250	895
	2,980	8,121
Operating earnings (loss)		
Wireless Business Division	1,128	(4,818)
WirelessWave Retail Division	4,049	2,014
Corporate	(4,233)	(5,280)
	$ 944	$ (8,084)
Assets employed		
Wireless Business Division	$ 10,957	$ 15,993
WirelessWave Retail Division	9,479	7,115
Corporate	5,495	7,283
	$ 25,931	$ 30,391
Net capital expenditures		
Wireless Business Division	$ 367	$ 372
WirelessWave Retail Division	2,096	2,474
Corporate	56	122
	$ 2,519	$ 2,968

For segmentation purposes, the Company no longer allocates corporate expenditures to the operating divisions. 2000 comparative balances for earnings (loss) before interest, taxes and amortization and operating earnings (loss) have been restated to be comparative.

Corporate Information

Directors

Thomas E. Skidmore
West Vancouver, BC

A. Allan Skidmore
Milner, BC

Arthur Skidmore
West Vancouver, BC

Ronald E. Sowerby
Coquitlam, BC

Gaylord U. Hazelwood
Cookstown, ON

Robert R. Dodd
New Westminster, BC

Operations Management

Thomas E. Skidmore
President & Chief Executive Officer

Dale B. Belsher
Chief Financial Officer

Art M. Droulis
Vice President, Operations
Wireless Business Division

David M. Hartman
Vice President, Operations
WirelessWave Retail Division

Daniel H. Lowndes
Vice President, Sales

Cary T. Skidmore
Vice President, Marketing

Robert J. Ferguson
Director, Business Operations

Damon Jones
Director, Retail Operations

John Boudreau
Director, Business Sales,
BC/Yukon

Kenneth Lull
Director, Business Sales,
Canada Midwest

Michael L. Mitchell
Director, Business Sales,
Canada East

Brian M. Poschner
Controller,
Wireless Business Division

Romeo Arce
Controller,
WirelessWave Retail Division

Officers

Thomas E. Skidmore
Chairman, President &
Chief Executive Officer

A. Allan Skidmore
Vice Chairman

Ronald E. Sowerby
Corporate Secretary

Dale B. Belsher
Chief Financial Officer

Annual Meeting

The company's annual meeting will be held on Friday, May 17, 2002 at 9.30 a.m. at the Hilton Vancouver Metrotown in Burnaby, BC

Stock Information

Glentel trades on The Toronto Stock Exchange (trading symbol GLN).

Transfer Agent

Shareholders with a change of address or questions about their account may contact the registrar at:

Computershare Trust
Company of Canada,
510 Burrard Street,
Vancouver, BC V6C 3B9
Tel 1 888 661 5566
www.computershare.com

Business Service Centres

British Columbia

Vancouver
Tel 604 294 2323

Fort St John
Tel 250 785 6084

Alberta

Calgary
Tel 403 253 1199

Edmonton
Tel 780 451 3127

Grande Prairie
Tel 780 532 8140

Lethbridge
Tel 403 329 8111

Medicine Hat
Tel 403 529 2219

Red Deer
Tel 403 343 1333

Saskatchewan

Saskatoon
Tel 306 244 7500

Ontario

Toronto (Downsview)
Tel 416 398 7243

Hamilton
Tel 905 549 3042

United States

Mercer Island, WA
1 800 453 6835

WirelessWave

British Columbia

Abbotsford
Sevenoaks
Shopping Centre
Tel 604 852 9283

Burnaby
(opened May 2002)
Brentwood Mall
Tel 604 298 5208

Burnaby
Lougheed Mall
Tel 604 444 9283

Burnaby
Metropolis
at Metrotown
Tel 604 432 9283

Chilliwack
8392 Young St South
Tel 604 792 6651

Chilliwack
Cottonwood Mall
Tel 604 824 7144

Coquitlam
Coquitlam Centre
Tel 604 941 9283

Kamloops
Aberdeen Mall
Tel 250 372 1868

Kelowna
Orchard Park Mall
Tel 250 868 3666

Langley
Willowbrook
Shopping Centre
Tel 604 534 5666

Nanaimo
Woodgrove Centre
Tel 250 390 2209

Penticton
Cherry Lane
Shopping Centre
Tel 250 492 8684

Richmond
Richmond Centre
Tel 604 278 9283

Surrey
Guildford Town Centre
Tel 604 584 0335

Vancouver
Oakridge
Shopping Centre
Tel 604 261 3666

Vancouver
Pacific Centre
Tel 604 873 9283

Vernon
Village Green Mall
Tel 250 542 3152

Victoria
Mayfair
Shopping Centre
Tel 250 382 9283

West Vancouver
Park Royal South
Tel 604 913 0335

Alberta

Calgary
Chinook Centre
Tel 403 253 9283

Calgary
Eaton Centre
Tel 403 266 2256

Calgary
Southcentre
Tel 403 271 7711

Edmonton
Kingsway Garden Mall
Tel 780 477 9283

Edmonton
Londonderry Mall
Tel 780 473 9283

Edmonton
Southgate Centre
Tel 780 433 9283

Edmonton
West Edmonton Mall
Tel 780 444 9283

Ontario

Barrie
Georgian Mall
Tel 705 726 3255

Burlington
Mapleview
Shopping Centre
Tel 905 632 5665

Etobicoke
Woodbine Centre
Tel 416 675 2164

Hamilton
Lime Ridge Mall
Tel 905 385 1943

Kitchener
Fairview Park Mall
Tel 519 896 9283

Mississauga
Erin Mills Town Centre
Tel 905 820 1986

Mississauga
Square One
Shopping Centre
Tel 905 896 9283

Newmarket
Upper Canada Mall
Tel 905 953 8724

North York
Fairview Mall
Tel 416 497 9283

Oshawa
(opened April 2002)
Oshawa Centre
Tel 904 404 9283

Pickering
Pickering Town Centre
Tel 905 831 3555

Toronto
Dufferin Mall
Tel 416 588 9283

Waterloo
Conestoga Mall
Tel 519 746 8810

better choices, better solutions

GLENTEL

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